



STRENGTHENING AUDIT REPORT IMPLEMENTATION IN GHANA

Key Messages

- The Auditor General should ensure that records on auditing process are kept properly by instituting practical measures and enforcing compliance;
- The Auditor General should effectively and consistently apply sanctions for non-compliance;
- The Audit Committees should be supported to meet regularly in order to ensure that MMDAs implement audit recommendations;
- MMDAs, MDAs and the Auditor General should promote greater involvement of district, community-based and grassroots CSOs in the monitoring of the implementation of audit recommendations at the sub-national level.
- Government should ensure adequate funding for the Audit Committees and that such efforts to fund the committees are backed by appropriate legislative framework and instruments.



01



INTRODUCTION

Public Financial Management (PFM) systems regulate all aspects of the public sector resource mobilization and expenditure management within the macroeconomic and fiscal framework. In the absence of a robust PFM system, states risk underdevelopment through loss of public funds via misapplication and/or misappropriation. Ghana's PFM system is fashioned after the Westminster model. After the budgeting and expenditure processes, the Auditor General (AG) is mandated by Article 87 of the Constitution, Article 84 of the PFM Act (2016) and the Audit Service Act (2000) to audit the expenditure of government.

The audit findings are submitted to the Public Accounts Committee (PAC) of Parliament, in line with Article 103 of the Constitution for scrutiny. Guided by the relevant legal frameworks, PAC outlines specific recommendations for the financial irregularities identified in the AG's report. The PAC's deliberations are debated and accepted in Parliament, culminating in the production of a PAC report (GACC, 2014). This report is released to all audited government institutions. The responsibility then falls on the Audit Committees (formerly called Audit Report Implementation Committees (ARICs) to ensure that the institution implements the recommendations. Indeed, the role of Audit

Committees extend to all audit reports endorsed by Parliament as well as financial matters raised in the Auditor General's Management Letter, internal audit reports and the report of an internal monitoring unit.

In practice, however, Ghana's PFM system fails to deliver on its mandate to implement audit recommendations. The reason for this weakness is not far-fetched. Consistently, the state has failed to apply sanctions recommended in the PAC reports. It is thus speculated that the recurrence of financial malfeasance is the result of not ensuring the implementation of audit recommendations. The current situation does not deter enough nor enforce compliance.

The Ghana Integrity Initiative Consortium, comprising Ghana Integrity Initiative (GII), Ghana Anti-Corruption Coalition (GACC) and SEND Ghana, undertook a research on the implementation of audit recommendations in 50 selected Metropolitan, Municipal and District Assemblies (MMDAs). The survey was a precursor to regular monitoring and interactions between the selected MMDAs and their citizens (represented by grassroots CSO coalitions) as part of the Accountable Democratic Institutions and Systems Strengthening (ADISS) Project.

To help achieve the main aim of the survey, the following specific objectives were laid out:

1. To examine the status of implementation of the Auditor General's Report recommendations (2009-2013) and PAC recommendations (2010) in fifty (50) selected Metropolitan, Municipal and District Assemblies (MMDAs)
2. To assess the effectiveness and efficiency of the audit implementation structure and protocol within MMDAs
3. To identify challenges associated with audit report implementation and prescribe recommendations.



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FINDINGS

Related Issues - Audit Implementation

We also uncovered issues that affected audit implementation in the District Assemblies. One of these was poor record keeping. The most noticeable observation by the citizens' groups that interacted with the MMDAs on the implementation of their audit recommendations was that an alarming majority of them had no records on the status of their audit recommendation implementation. Most MMDAs struggled to find records of the audit citations against them, the recommendations and evidence of implementation of these recommendations. One contributory factor is the lack of regular audit committee meetings. Minutes from audit committee meetings would have served as a source in ascertaining the status of audit recommendation implementation at the MMDAs. The lack of records also betrays the seriousness or rather lack thereof that the MMDAs attach to audit recommendation implementation.

The interaction with audit committee members, revealed that quite a number of them lack precise understanding of language of audit reports. Phrases such as failure to withhold and collect taxes, non-collection of outstanding debts, procurement and contracting irregularities, unsupported payments, misappropriation of cash and payment of unearned salaries were not fully understood. This meant that there was very little appreciation of the infractions that the MMDAs were cited for. Some members could not grasp the obvious loopholes in the financial and control systems that led to these infractions. Consequently, they are unable to understand the specific recommendations, especially those relating to the financial administrative set-up. Under such circumstances, audit committee members are unlikely to hold the assembly to exactly what would constitute ample proof of implementation.

Central to the concept of local governance is the participation of citizens and citizen groups in the governance process. The decentralization process in Ghana has seen many local civil society groups and community-based organizations make several attempts to engage their respective MMDAs and participate in local governance. However, there has been very limited engagement in the area of audit recommendation implementation. The efforts of the Auditor General in getting audit recommendations implemented ought to be complemented by local civil society organizations who should take an interest in how the public purse is managed within their local government.

The findings of the study are discussed below under in line with the sub-objectives outlined above.

Status of Audit Reports Implementation

We found that the 50 districts do not receive PAC reports regularly. This finding is consistent with results of previous studies by GACC in 2014). Thus, with irregular access to PAC's report, the District Assemblies responded only to issues raised in the Auditor-General's reports. Within this cohort, only 15% of the MMDAs had significantly implemented the recommendations in the 2009-2013 audit reports. All the others had outstanding recommendations they had not implemented. In some MMDAs, the recurrence of the same or similar infractions was recorded over the period.

The Audit Implementation Structure and Protocol

The study found that the inability to implement audit recommendations in the years under study (2009-13) was due to the problematic composition of the erstwhile ARICs – the ARICs were filled with management members of the audited institutions who did not have the political will to enforce recommendations that indicted fellow management members. The new PFM Act seemingly addresses this with the prescribed composition of the Audit Committees. However, the ARICs were also found to be ineffective because the Assemblies cited the unavailability of resources to fund ARIC meetings. It is yet to be seen if the Audit Committees would also have to deal with this funding challenge.



03



RECOMMENDATIONS

The study makes the following policy recommendations aimed at increasing the rate of implementation of audit recommendations.

Monitor the implementation of audit recommendations/citations

District Assemblies are able to ignore audit recommendations because the supervision and sanctions regime for non-compliance is hardly activated. To nip this, there is the need to monitor or follow up on the implementation of audit recommendations. The work of the Ghana Audit Service in this area has to be complemented by the activism and vigilance of civil society. Civil Society Organizations (CSOs) based at the local level ought to take an active interest in audit recommendation implementation by their MMDAs and get involved by monitoring same. This is an important space for these CSOs to reinforce their demand-driven accountability role.

Regular Audit Committee Meetings

The failure of the erstwhile ARICs to meet regularly contributed immensely to the poor implementation of audit recommendations. Regular meetings by the Audit Committees are necessary to ensure that Assemblies implement audit recommendations. The Audit Committees have to be funded from a regular, steady source and this has to be enshrined in a law or regulation. The crux here is to put in place a mechanism that allows audit committee meetings to be funded consistently. Without this, the unavailability of funds could be used as an excuse to prevent the audit committees from undertaking their work.

Improve Record-keeping

The District Assemblies could not provide evidence of meetings of the then ARICs or evidence of implementing audit recommendations in most instances. It is recommended that the Assemblies improve record keeping, especially when it pertains to the auditing process. The Auditor General should ensure that records on the auditing process are kept properly. Apart from serving as evidence of implementation, such records will also improve continuity in the operations of institutions— implementation of audit recommendations and information relating to same should not become a challenge when key staff leave the Assembly.

Civil Society Involvement

There has been very limited civil society involvement in the area of audit recommendation implementation.

This is an important area where the capacity of local civil society organizations across all 216 districts, and the 38 districts recently created, need to be built to enable such groups follow up on audit recommendation implementation. Such monitoring will recover money into the public purse, but more importantly force MMDAs to strengthen their financial and control systems and avoid financial irregularities.

